BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.	Rulemaking 10-05-004 (Filed May 6, 2010)

DISTRIBUTED ENERGY CONSUMER ADVOCATES COMMENTS ON NET ENERGY METERING EVALUATION STUDY METHODOLOGY TO ENERGY DIVISION STAFF

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DISTRIBUTED ENERGY CONSUMER ADVOCATES
COMMENTS ON NET ENERGY METERING EVALUATION STUDY
METHODOLOGY TO ENERGY DIVISION STAFF

Distributed Energy Consumer Advocates ("DECA") hereby provides comments on the proposed methodology for the study of Net Energy Metering ("NEM") to be conducted by Energy and Environmental Economics ("E3") on behalf of the California Public Utilities Commission ("CPUC").

I. Background

DECA is a nonprofit California public benefit corporation that informs and educates residential and small commercial producer-consumers of electricity, and advocates on behalf of such customers in a variety of policy forums. While DECA does not limit membership based on geographic location, the vast majority of DECA's members are located throughout the state of California. Those members either currently produce and consume electricity, or consume electricity and are considering producing it as well. DECA seeks to promote the optimal regulatory climate and market in which its members and others may invest in distributed clean energy infrastructure, without preference to any single technology. As such, the issues of Net Energy Metering is of critical importance to DECA members.

II. Comments on the Methodology

DECA limits its comments to the subject areas of production profiles, natural gas prices, constrained entry for new generation in local areas, and partial netting issues. DECA believes these recommendations can be addressed via sensitivities but cautions that at least with regard to production profiles special consideration be given to capturing not just a projection of what NEM

would look like if projected forward from today but what it might look like optimized in response to a range of quantified outcomes.

PV production profiles

DECA urges the CPUC Energy Division, through its contractor E3, to model generation profiles that reflect a maximized avoided cost paradigm, rather than a maximized Renewable Portfolio Standard ("RPS") value paradigm. This change should be reflected in both the shape of the generation profiles and the geographic penetration rates of those resources. DECA cautions that the RPS-oriented, flat rate of compensation for every kWh produced is no longer a reasonable assumption for estimating the production profiles of PV resources for a number of reasons including the reduced market value of green attributes, the probability of more granular Time of Use ("TOU") rates being more widely adopted, and the recognition of the fact that geographically targeted DG procurement is cost effective and beneficial for all ratepayers where Locational Marginal Prices ("LMPs"), and therefore avoided costs, are higher.

Evaluation of NEM must consider modeling generation profiles that reflect probable changes to PV installations based on ratepayer avoided costs in light of a migration to TOU rates as well as a maximized avoided cost associated with avoided LMPs. These changes mean assumptions that orientation of fixed tilt PV panels will likely change from a "maximum kWh" to a "maximum avoided cost" orientation. Similarly, in areas of high LMPs we should expect single and dual axis tracking where avoided costs justify such equipment. DECA's production modeling under a maximized avoided cost fixed tilt orientation indicates that a 5% improvement of avoided costs is a reasonable expectation even in locally constrained areas with only moderate LMPs (e.g. taking LMPs from 2012 rather than 2006). That 5% figure does not reflect the

potential for greater DG penetration associated with procurement targets seeking to maximize those avoided costs which could significantly increase the overall cost effectiveness.

Natural Gas Hedging

The NEM study should, at the sensitivity level reflect fuel costs associated with natural gas hedging as well as without it. The cost of hedging strategies should be considered on both the top (high gas prices with hedging costs) and bottom (low gas prices with no hedging costs) gas price sensitivities based on actual hedging costs under Commission approved Time to Expiration Value at Risk ("TEVAR") methodology.

Constrained Entry in Local Areas

DECA cautions that there is a high probability for both higher LMPs and higher capacity prices for new generation in certain local areas affected by Once Through Cooling retirements. In particular DECA believes that existing transmission infrastructure, a limited number of market participants capable of addressing operational needs such as provision of inertia and VARs, and a very real constraint associated with air credits will all create higher LMPs and capacity prices that do not reflect marginal costs. The Commission would be wise to capture the potential increased avoided costs associated with DG in those areas as a sensitivity in the NEM study.

Partial Netting Calculations

DECA supports explicit consideration of partial netting scenarios such as where NEM is limited to less than 100% of an annual bill or where certain classes of customers (e.g. residential) are entitled to net all of an annual bill while other classes (e.g. commercial and industrial) are not. DECA believes transformative policies around NEM should consider NEM as a vehicle to incentivize additional investments in demand response, energy efficiency, vehicle electrification,

and storage and that some effort should be made to capture NEM as a potential tool for such market transformations.

III. Conclusion

For the reasons set forth herein, DECA hereby comments on the proposed NEM methodology.

Respectfully submitted this 5th day of November, 2012.

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